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DFD-3278-59

15 May 1959

MEMORANDUM FOR THE RECORD

SUBJECT : Rates and Pricing Formula 1 Jan.1959 -  
30 June 1959, Lockheed Aircraft Corporation,  
Contracts SP-1917 and SP-1918

1. The basic labor rates and overhead rates have audit approval. The only rate in question is C&A. The Company, on 3 February 1959, proposed C&A at .83¢, revised this on March 25 to .80¢ and on 24 April, to .79¢. The Auditor considers .767 an Air Force rate, as reasonably protecting the Contractor as well as the Government.

2. The Contractor has orally indicated and the Air Force Auditor has agreed that fixed rates negotiated for the two periods in calendar year 1958 were lower than experienced.

3. The projected Navy rate for LAC for the current period is .768¢ for C&A and \$2.998 for overhead. Navy subtracts all overhead disallowances from the C&A rate. Without prolonged negotiations the Contractor voluntarily proposed a rate of \$2.96 for overhead which was .036¢ less than the Navy proposed rate. This disallowed amount, when added to the proposed Air Force C&A rate of .767¢, results in a total of .805¢ as compared to LAC's proposed C&A rate of .79¢.

4. The Contractor has consistently been cooperative in past negotiations, has agreed to three reductions in the current proposed C&A rate, effected substantial savings from previous target prices, met delivery schedules in a timely matter, and has been very cooperative in all contractual relationships. In view of the reasons set forth in this paragraph and the finding in Paragraphs 2 and 3 above, the Contracting Officer feels that the proposed C&A rate of .79¢ is fair and reasonable and in the best interests of the Government. Accordingly, Amendments have been prepared against SP-1917 and SP-1918 which reflect fixed rates for the first 6 month period of calendar year 1959.

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Chief, Contracts Branch, DFD

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Distribution:

SP-1917 (Prop.Sec.)

SP-1918 "

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